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C O N F I D E N T I A L TASHKENT 001509

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TAGS: ECON EIND ETRD EINV ENGR PREL UZ

SUBJECT: ENERGY AND AGRICULTURE EXPOS FAIL TO ATTRACT

REF: A) 06 TASHKENT 001115 B) TASHKENT 01324

Classified By: CLASSIFIED BY CDA BRAD HANSON FOR REASONS 1.4 (B, D).

**¶11. (SBU) Summary:** In April, the Agrominitech and Oil and Gas Expositions opened Uzbekistan's expo season, but attracted less foreign interest and attention than in 2006. On the whole, foreign companies continue to avoid investing in Uzbekistan. Even Russian companies are adversely affected by the business climate, something the Russian Government has publically addressed. End Summary.

#### Agricultural Equipment and Technology

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**¶12. (SBU)** The Agrominitech Expo is a venue for foreign and domestic marketers to exhibit their products and technology related to food production. This year, little new technology was actually exhibited and few new companies bothered to attend. Emboffs counted around 100 participants, half of what the local media claimed. Companies from Germany, Russia, Ukraine, China and Belarus exhibited their goods, but brought fewer examples than in 2006. The majority of these companies already do business in or with Uzbekistan. Only two U.S. companies sent representatives: the European branches of DuPont Chemicals and John Deere. Both companies told Emboffs they know the market is challenging, but hope to gain whatever access they can to sell their goods.

#### Oil and Gas: Where did the Russian Giants Go?

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**¶13. (C)** In 2006, to celebrate 15 years of omnipresence, Russian gas giants Lukoil and Gazprom stormed into Tashkent's annual oil and gas conference, waving red flags and driving luxury cars (ref A). In the wake of First Daughter Gulnora Karimova's opening address in the hotel's ballroom, the gas CEOs gave speeches on a new era of cooperation with Uzbekistan.

**¶14. (SBU)** This year, expo attendees were subjected to standing on scorching concrete, listening to an unnamed presenter dribble out the list of countries involved in Uzbekistan's oil and gas sector. As sweat began to color the backs of the attendees, the presenter introduced the distinguished guests, who were sitting under a hastily-built awning. These included the ambassadors from China, Kazakhstan, Russia, the Czech Republic, Germany and France. The U.S. Ambassador was not invited this year.

**¶15. (SBU)** The expo participants included numerous Russian equipment manufacturers. The majority of these are

subcontractors of Lukoil and Gazprom, do not operate in Uzbekistan and do not intend to do so: they sell their equipment in Russia to the Russians, not the Uzbeks. As with the Agricultural Expo, few U.S. companies were present. Although U.S. petroleum equipment manufacturing firms have offices worldwide, including Kazakhstan, only Baker Hughes operates in Uzbekistan.

¶6. (SBU) Comment: The Russian energy giants' absence was conspicuous, leaving Chevron-Texaco as the only international energy sponsor and major energy brand. Russian Embassy officials continue to report that Russian companies are increasingly frustrated by GOU business practices. During Russian Foreign Minister Fradkov's visit to Tashkent in March 2007, he, in response to GOU assertions that Gazprom and Lukoil had only invested one third the amount promised, publicly stated that Uzbekistan owes Russia over USD 700 million in loan repayments. The Russian Ambassador also noted to Charge that much of Russian Deputy PM Ivanov's recent visit was devoted to sorting out business issues, includes convertibility (ref B).

HANSON